

## Analysis of Agency's Financial Position

The USDA Forest Service annually produces a series of financial statements to summarize the financial activity and associated financial position of the agency. The principal statements include the Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, Combined Statement of Budgetary Resources, and Consolidated Statement of Financing. The agency's goal in producing these statements is to provide relevant, reliable, and accurate financial information about USDA Forest Service activities. The USDA Forest Service received a waiver for producing comparative statements for fiscal year (FY) 2001 and FY 2002. Through analysis of the agency's FY 2002 financial statements, the following key points are highlighted.

### Assets

The USDA Forest Service reports \$6.9 billion in assets at the end of FY 2002, of which 99.53 percent is classified primarily in three major categories. First, 56.6 percent is General Property, Plant and Equipment (General PP&E)—primarily forest road surface improvements, culverts, bridges, campgrounds, administrative buildings, other structures, and equipment. Second, 41.1 percent is fund balances with the Department of the Treasury—primarily funds derived from congressional appropriations and funds held in trust for accomplishing purposes specified by law. Third, 2 percent, or approximately \$122 million, is accounts receivable—primarily amounts due from other Federal entities or the public as a result of the delivery of goods and services, and specific activities performed by the USDA Forest Service.

The approximately \$3.9 billion of General PP&E includes assets acquired by the USDA Forest Service to be used for conducting business activities, such as providing goods or services. General PP&E does not include the value of heritage assets (agency assets that are historical or significant for their natural, cultural, aesthetic, or other importance and generally are expected to be preserved indefinitely) or the value of stewardship assets (primarily land held by the agency as part of the National Forest System (NFS) and not acquired for, or in connection with, other General PP&E). Although heritage and stewardship assets may be considered as priceless, they do not have a readily identifiable financial value and are not recorded within the financial statements of the USDA Forest Service. An in-depth discussion of stewardship assets is presented in Appendix D— Required Supplementary Stewardship Information.

Fund balances of approximately \$2.8 billion recorded with the Department of the Treasury (congressional appropriations and trust funds) are available to the agency to pay authorized expenses and finance purchase commitments.

### Liabilities and Net Position

The USDA Forest Service reported \$2.2 billion in liabilities at the end of FY 2002, representing probable future expenditures arising from past events. Federal agencies, by law, cannot make any payments unless Congress has appropriated funds for such payments. A portion of liabilities reported by the USDA Forest Service for FY 2002, however, is currently not funded by congressional appropriations. For example, 27 percent (\$599 million) consists of unfunded amounts needed to pay employees for annual leave they have earned but not yet taken and Federal Employees' Compensation Act benefits that have accrued to employees for death, disability, medical, and other approved costs that have not been paid. Additionally, \$54 million of the reported liabilities are custodial liability funds that belong to non-USDA Forest Service

entities. A majority of this amount is funds for payments to States. These amounts are held by the agency in special receipt accounts pending transfer to an appropriate party.

A net position of \$4.65 billion is reported for FY 2002, consisting of 56.7 percent (\$2.7 billion) for unexpended appropriations consisting of undelivered orders as well as unobligated funds and 43.3 percent (\$2.0 billion) as the cumulative results of operations. Unexpended appropriations reflect spending authority made available by congressional appropriation that has not yet been used. Cumulative results of operations reflect the cumulative effect of excess financing over expenses for a budget account since its inception.

## **Revenues**

The USDA Forest Service reported approximately \$541 million of earned revenue before elimination and \$323 million after elimination during FY 2002. The majority of earned revenues received arise from two sources: providing goods and services and reimbursable activities. Goods and services include such items as the sale of forest products (timber and firewood); recreational opportunities (campgrounds); mineral resources; livestock grazing; and special land use fees for power generation, resorts, and other business activities conducted on NFS lands. Reimbursable activities include work completed for individuals and businesses cooperating with the agency, as well as work completed for other Federal agencies, mainly in accordance with the Economy Act.

The USDA Forest Service distributes a portion of earned revenues to eligible States in accordance with existing law. In FY 2002, approximately \$375 million of FY 2001 receipts were distributed to 41 States and Puerto Rico in accordance with the Secure Rural Schools and Community Self-Determination Act of 2000. This funding benefits public schools and roads in communities hosting national forests and pays for local forest stewardship projects.

## **Expenses**

The FY 2002 Net Cost of Operations for the USDA Forest Service indicates the impact of deducting earned revenues from program costs. The net operating costs for the agency were \$5.4 billion. An analysis of the \$5.9 billion of total gross program costs before eliminations shows that approximately 54 percent (\$3.2 billion) was associated with the National Forests and Grasslands. The Forest and Rangeland Research program accounted for approximately 4 percent (\$250 million). The State and Private Forestry (S&PF) program accounted for approximately 5 percent (\$290 million). The Fire and Aviation Management program accounted for approximately 36 percent (\$2.1 billion), which includes emergency wildfire suppression activities. The Working Capital Fund (WCF) program costs amounted to \$143 million before elimination and -\$76 million after elimination.

## **Budgetary Resources**

The USDA Forest Service had budget authority of approximately \$5.1 billion in FY 2002. These are general Government funds administered by the Department of the Treasury and appropriated for the agency's use by Congress. A portion of the appropriation, \$474 million, was designated by Congress to repay agency funds transferred from other accounts in FY 2000 and FY 2001 for emergency wildland fire management requirements. The agency must routinely exercise its statutory authority to transfer from other funds available to fight wildland fires. When such transfers take place, the agency requests appropriations from Congress to repay transferred funds in order to accomplish the purpose for which the funds were first provided.